

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Hennrich A. Berthiaume</i>	Printed Name		License Number	

**SWAN CREEK TOWNSHIP**  
Saginaw County, Michigan

**FINANCIAL STATEMENTS**  
March 31, 2006

# TOWNSHIP OF SWAN CREEK

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**BERTHIAUME  
& COMPANY**

Certified Public Accountants



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## **INDEPENDENT AUDITORS' REPORT**

To the Township Board  
Township of Swan Creek  
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Swan Creek, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Township of Swan Creek's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Swan Creek, as of March 31, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule as identified in the table of contents is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Swan Creek's basic financial statements. The accompanying other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be part of, the basic financial statements.

*Berthiaume & Co.*

May 31, 2006

## ***BASIC FINANCIAL STATEMENTS***

# TOWNSHIP OF SWAN CREEK

## STATEMENT OF NET ASSETS

March 31, 2006

	<i>Primary Government</i>		
	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Total</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 843,529	\$ 591,937	\$ 1,435,466
Investments	279,053	184,987	464,040
Receivables	44,508	101,950	146,458
Inventory	-	10,658	10,658
Prepaid expenses	7,600	-	7,660
Restricted cash and cash equivalents	-	57,802	57,802
Capital assets:			
Nondepreciable capital assets	121,322	-	121,322
Depreciable capital assets, net	134,404	2,617,263	2,751,667
Other assets	-	35,631	35,631
Total assets	1,430,476	3,600,228	5,030,704
<b>Liabilities:</b>			
Accounts payable and accrued expenses	95,316	19,648	114,964
Long-term liabilities:			
Due within one year	-	33,000	33,000
Due in more than one year	-	100,000	100,000
Total liabilities	95,316	152,648	247,964
<b>Net assets:</b>			
Invested in capital assets, net of related debt	255,726	2,484,263	2,739,989
Restricted for:			
Debt service	-	57,802	57,802
Unrestricted	1,079,434	905,515	1,984,949
Total net assets	\$ 1,335,160	\$ 3,447,580	\$ 4,782,740

*The accompanying notes are an integral part of these financial statements.*

# TOWNSHIP OF SWAN CREEK

## STATEMENT OF ACTIVITIES

Year Ended March 31, 2006

		<i>Program Revenues</i>			<i>Net (Expense) Revenue</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Capital Grants and Contributions</i>	
	<i>Expenses</i>				
<b>Functions/Programs</b>					
<b>PRIMARY GOVERNMENT:</b>					
<i>Governmental activities:</i>					
General government	\$ 214,897	\$ 33,892	\$ 550	\$ 7,750	\$ (172,705)
Public safety	130,263	13,805	1,100	-	(115,358)
Public works	115,871	100,992	4,628	-	(10,251)
Community and economic development	7,481	3,190	-	-	(4,291)
Recreation and culture	11,248	725	-	-	(10,523)
Total governmental activities	479,760	152,604	6,278	7,750	(313,128)
<i>Business-type activities:</i>					
Water	228,268	259,116	-	20,947	51,795
Total business-type activities	237,255	259,116	-	20,947	42,808
Total primary government	\$ 717,015	\$ 411,720	\$ 6,278	\$ 28,697	\$ (270,320)

continued

The accompanying notes are an integral part of these financial statements.

	<i>Primary Government</i>		
	<i>Governmental</i>	<i>Business-</i>	
	<i>Activities</i>	<i>type</i>	<i>Total</i>
	<u></u>	<u>Activities</u>	<u></u>
Changes in net assets:			
Net (Expense) Revenue	\$ (313,128)	\$ 42,808	\$ (270,320)
General revenues:			
Taxes:			
Property taxes, levied for general purpose	72,852	-	72,852
Property taxes, levied for fire protection	106,395	-	106,395
Payment in lieu of property taxes	40	-	40
Franchise taxes	17,880	-	17,880
Grants and contributions not restricted to specific programs	163,209	-	163,209
Unrestricted investment earnings	23,201	26,975	50,176
Miscellaneous	1,873	-	1,873
Total general revenues, contributions, special items, and transfer	<u>385,450</u>	<u>26,975</u>	<u>412,425</u>
Change in net assets	72,322	69,783	142,105
Net assets, beginning of year	<u>1,262,838</u>	<u>3,377,797</u>	<u>4,640,635</u>
Net assets, end of year	<u>\$ 1,335,160</u>	<u>\$ 3,447,580</u>	<u>\$ 4,782,740</u>



# TOWNSHIP OF SWAN CREEK

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## GOVERNMENTAL FUNDS

### BALANCE SHEET

March 31, 2006

	<i>General Fund</i>	<i>Refuse Fund</i>	<i>Total Governmental Funds</i>
<b>Assets:</b>			
Cash and cash equivalents	\$ 629,681	\$ 213,849	\$ 843,530
Investments	279,053	-	279,053
Taxes receivable	9,319	-	9,319
Accounts receivable	-	5,800	5,800
Due from other governmental units	29,389	-	29,389
Prepaid expenditures	-	7,660	7,660
Total assets	<u>\$ 947,442</u>	<u>\$ 227,309</u>	<u>\$ 1,174,751</u>
<b>Liabilities and Fund Balances:</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 6,796	\$ 13,173	\$ 19,969
Accrued expenses	11,431	-	11,431
Due to other governmental units	4,850	-	4,850
Deposits payable	59,067	-	59,067
Total liabilities	<u>82,144</u>	<u>13,173</u>	<u>95,317</u>
<b>Fund balances:</b>			
Reserved for:			
Prepaid expenditures	-	7,660	7,660
Unreserved:			
General fund	865,298	-	865,298
Special revenue funds	-	206,476	206,476
Total fund balances	<u>865,298</u>	<u>214,136</u>	<u>1,079,434</u>
Total liabilities and fund balances	<u>\$ 947,442</u>	<u>\$ 227,309</u>	<u>\$ 1,174,751</u>

*The accompanying notes are an integral part of these financial statements.*

# TOWNSHIP OF SWAN CREEK

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## RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

March 31, 2006

<b>Total fund balances for governmental funds</b>			\$ 1,079,434
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Total net assets reported for governmental activities in the statement of  
of net assets is different because:

Capital assets used in governmental activities are not financial resources  
and therefore are not reported in the governmental funds.

Governmental capital assets	301,443	
Less accumulated depreciation	<u>(45,717)</u>	<u>255,726</u>

<b>Net assets of governmental activities</b>		<u><u>\$ 1,335,160</u></u>
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*The accompanying notes are an integral part of these financial statements.*

# TOWNSHIP OF SWAN CREEK

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## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

For the Year Ended March 31, 2006

	<i>General Fund</i>	<i>Refuse Fund</i>	<i>Total Governmental Funds</i>
<b>Revenues:</b>			
Property taxes	\$ 201,750	\$ -	\$ 201,750
Licenses and permits	33,555	-	33,555
State grants	180,202	-	180,202
Contributions from other units	2,461	-	2,461
Charges for services	2,946	95,300	98,246
Interest and rents	19,914	4,012	23,926
Other revenue	14,887	5,692	20,579
Total revenues	<u>455,715</u>	<u>105,004</u>	<u>560,719</u>
<b>Expenditures:</b>			
Current:			
General government	202,709	-	202,709
Public safety	130,263	-	130,263
Public works	32,577	83,134	115,711
Community and economic development	7,481	-	7,481
Recreation and culture	15,955	-	15,955
Capital outlay	36,439	-	36,439
Total expenditures	<u>425,424</u>	<u>83,134</u>	<u>508,558</u>
Excess (deficiency) of revenues over expenditures	30,291	21,870	52,161
Fund balances, beginning of year	<u>835,007</u>	<u>192,266</u>	<u>1,027,273</u>
Fund balances, end of year	<u>\$ 865,298</u>	<u>\$ 214,136</u>	<u>\$ 1,079,434</u>

*The accompanying notes are an integral part of these financial statements.*

# TOWNSHIP OF SWAN CREEK

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## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

March 31, 2006

**Net change in fund balances - total governmental funds** \$ 52,161

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives and reported as depreciation expense.

Capital outlay	36,439	
Less depreciation expense	<u>(7,641)</u>	28,798

Sale of assets is a revenue in the governmental funds; this revenue is reduced by the book value of the capital assets sold in the statement of net assets	<u>(8,637)</u>
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**Change in net assets of governmental activities** \$ 72,322

*The accompanying notes are an integral part of these financial statements.*

# TOWNSHIP OF SWAN CREEK

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## PROPRIETARY FUND STATEMENT OF NET ASSETS

March 31, 2006

	<i>Major Enterprise Fund</i>
	<i>Water Fund</i>
<b>Assets:</b>	
<b><i>Current assets:</i></b>	
Cash and cash equivalents	\$ 591,937
Investments	184,987
Accounts receivable	24,184
Special assessments receivable	16,085
Interest receivable	2,042
Inventory	10,658
Total current assets	829,893
<b><i>Noncurrent assets:</i></b>	
Restricted cash and cash equivalents	57,802
Special assessments receivable	59,639
Capital assets:	
Depreciable capital assets, net	2,617,263
Investment in Water Authority	35,631
Total noncurrent assets	2,770,335
Total assets	3,600,228
<b>Liabilities:</b>	
<b><i>Current liabilities:</i></b>	
Accounts payable	14,509
Accounts payable and accrued expenses	4,039
Deposits payable	1,100
Current portion of long-term debt	33,000
Total current liabilities	52,648
<b><i>Noncurrent liabilities:</i></b>	
Long-term debt	100,000
Total noncurrent liabilities	100,000
Total liabilities	152,648
<b>Net assets:</b>	
Invested in capital assets, net of related debt	2,484,263
Restricted for:	
Debt service	57,802
Unrestricted	905,515
Total net assets	\$ 3,447,580

*The accompanying notes are an integral part of these financial statements.*

# TOWNSHIP OF SWAN CREEK

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## PROPRIETARY FUND

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

Year Ended March 31, 2006

	<i>Major Enterprise Fund</i>
	<i>Water Fund</i>
<b>Operating revenues:</b>	
Charges for services	\$ 247,944
Penalties	3,411
Other	7,761
Total operating revenues	<u>259,116</u>
<b>Operating expenses:</b>	
Personnel	21,805
Fringe benefits	3,459
Supplies	7,986
Contracted services	28,813
Purchase of water	99,630
Mileage	131
Dues and membership fees	250
Repair and maintenance	14,505
Depreciation	<u>51,689</u>
Total operating expenses	<u>228,268</u>
Operating income (loss)	<u>30,848</u>
<b>Non-operating revenues (expenses):</b>	
Investment income	21,091
Interest income earned on special assessments	5,884
Capital contributions - Connection fees/Line construction	20,947
Interest expense	<u>(8,987)</u>
Total non-operating revenues (expenses)	<u>38,935</u>
Net income (loss) before operating transfers	69,783
Net assets, beginning of year	<u>3,377,797</u>
Net assets, end of year	<u>\$ 3,447,580</u>

*The accompanying notes are an integral part of these financial statements.*

# TOWNSHIP OF SWAN CREEK

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## PROPRIETARY FUND

### STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2006

	<i>Major Enterprise Fund</i>	<i>Water Fund</i>
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 261,874	
Cash payments to employees	(21,805)	
Cash payments to suppliers for goods and services	(151,157)	
Net cash provided (used) by operating activities	88,912	
<b>Cash flows from capital and related financing activities:</b>		
Acquisition and construction of capital assets	(47,629)	
Principal payments	(46,000)	
Payment on advance	(25,814)	
Interest paid	(8,987)	
Payments received on special assessments	23,189	
Interest earned on special assessments	5,884	
Payments received for water line connections	20,947	
Net cash provided (used) by capital and related financing activities	(78,410)	
<b>Cash flows from investing activities:</b>		
Interest received	22,813	
Net expenditures for investments	88,621	
Net cash provided (used) by investing activities	111,434	
Net increase (decrease) in cash and cash equivalents	121,936	
Cash and cash equivalents, beginning of year	527,803	
Cash and cash equivalents, end of year	\$ 649,739	
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>		
Operating income (loss)	\$ 30,848	
Adjustments:		
Depreciation	51,689	
Changes in assets and liabilities:		
Accounts receivable	2,533	
Inventory	(763)	
Accounts payable	5,271	
Accrued expenses	(891)	
Deposits payable	225	
Net cash provided (used) by operating activities	\$ 88,912	

The accompanying notes are an integral part of these financial statements.

# TOWNSHIP OF SWAN CREEK

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## *FIDUCIARY FUND*

### STATEMENT OF NET ASSETS

March 31, 2006

	<i>Agency Fund</i>
<b>Assets:</b>	
Cash and cash equivalents	\$ -
Total assets	-
<b>Liabilities:</b>	
Undistributed tax collection	-
Total liabilities	-
<b>Net Assets:</b>	
Unrestricted	-
Total net assets	\$ -

*The accompanying notes are an integral part of these financial statements.*



# TOWNSHIP OF SWAN CREEK

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## NOTES TO FINANCIAL STATEMENTS

March 31, 2006

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### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of Township of Swan Creek conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

#### **Reporting Entity:**

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Township. In evaluating the Township as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the Township may be financially accountable and, as such, should be included within the Township's financial statements. The Township (the primary government) has no component units and accordingly, the Township has not consolidated any entities into its financial statements.

#### **JOINT OPERATIONS:**

**St. Charles District Library** - The Townships of Swan Creek, Brant, and St. Charles jointly established the St. Charles District Library in 1978. Each township appoints two members to serve as Library trustees.

**Tri-Township Fire Department** - The Townships of Swan Creek, Brant, and St. Charles jointly established the Tri-Township Fire Department. Each member appoints two representatives to serve on the administrative board of the Fire Department.

**Swan Creek Township, James Township, and Village of St. Charles Water Authority** - The Townships of Swan Creek and James and the Village of St. Charles in 2001 jointly established this Water Authority. Each of the three municipalities appoints two members to serve on the Water Authority Board. The operating and capital budgets are funded by equal contributions from each governmental unit. Each unit's share of assets, liabilities, and fund equity is thirty-three and a third percent.

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation:**

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

#### *Government-wide Financial Statements:*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are

# **TOWNSHIP OF SWAN CREEK**

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## **NOTES TO FINANCIAL STATEMENTS, CONTINUED**

March 31, 2006

levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. These statements distinguish between activities that are governmental and those that are business-type activities. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The statement of net assets presents governmental activities on a consolidated basis, using the economic resources measurement focus and accrual basis of accounting. This method recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township’s net assets are reported in three parts (1) invested in capital assets, net of related debt, (2) restricted net assets, and (3) unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The statement of activities reports both the gross and net cost of each of the Township’s functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources and federal sources, interest income, etc.). The Township does not allocate indirect costs. In creating the government-wide financial statements the Township has eliminated interfund transactions.

The government-wide focus is on the sustainability of the Township as an entity and the change in the Township’s net assets resulting from current year activities.

### *Fund Financial Statements:*

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

# TOWNSHIP OF SWAN CREEK

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Fiduciary funds are accounted for on a spending or economic resources measurement focus and the accrual basis of accounting as are the proprietary funds.

The Township reports the following major governmental funds:

The **General Fund** is the primary operating fund of the Township. It is used to account for all financial resources, except for those required to be accounted for in another fund.

The **Refuse Fund** is used to account for the revenues collected to provide refuse service to property owners.

The Township reports the following major enterprise fund:

The **Water Fund** is used to account for the revenues and expenses for the operation of a water system.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

### **Assets, Liabilities and Equity:**

**Deposits and Investments** – Cash and cash equivalents include cash on hand, demand deposits, certificates of deposit and short term investments with a maturity of three months or less when acquired. Investments, if any, are stated at fair value. For purposes of the statement of cash flows, the Township considers all highly liquid investments (including restricted assets) and all local government investment pools to be cash equivalents.

# TOWNSHIP OF SWAN CREEK

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

**Interfund Receivables and Payables** – Generally, outstanding amounts owed between funds are classified as “due from/to other funds”. These amounts are caused by transferring revenues and expenses between funds to get them into the proper reporting fund. These balances are paid back as cash flow permits.

**Inventories and Prepaid Items** – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** – Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair market value at the date of donation. The Township defines capital assets as assets with an initial individual cost in excess of \$1,000. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. Public domain (infrastructure) assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the government) are capitalized if acquired after April 1, 2004. Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20-50 years
Distribution system	15-50 years
Equipment	5-25 years
Furniture and equipment	5-25 years
Site improvements	15-25 years
Vehicles	10-25 years

**Compensated Absences** – The Township does not allow the carryover of unused sick or vacation days.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

**Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

# **TOWNSHIP OF SWAN CREEK**

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## **NOTES TO FINANCIAL STATEMENTS, CONTINUED**

March 31, 2006

### **Eliminations and Reclassifications:**

In the process of aggregating data for the statement of net assets and the statement of activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

### **Property Taxes:**

Township property taxes are attached as an enforceable lien on property as of July 1 for the summer levy and December 1 for the winter levy. Taxes levied July 1 and December 1 are due without penalty on or before September 14 and February 14, respectively. These tax bills include the Township's own property taxes and taxes billed on behalf of the school districts within the Township boundaries and Saginaw County.

The 2005 taxable valuation of the Township totaled \$76,844,803 on which ad valorem taxes levied consisted of .9226 mills for the Township's operating purposes and 1.50 mills for fire protection services.

The delinquent real property taxes of the Township are purchased by Saginaw County. The delinquent real property taxes are received soon enough after year end to be recorded as revenue in the current year.

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## **NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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### **Budgetary Information:**

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Township Clerk submits to the Township Board a proposed operating budget by fund for each year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally enacted by adoption of the Township Board.
4. Any revision that alters the total expenditures of any fund must be approved by the Township.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Governmental fund budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the General Fund budget as originally adopted and amended by the Township Board is included in the required supplemental information.
7. All annual appropriations lapse at fiscal year end.

# TOWNSHIP OF SWAN CREEK

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### Excess of Expenditures over Appropriations in Budgeted Funds:

During the year, the Township did not incur expenditures that were materially in excess of the amounts budgeted.

### State Construction Code Act:

The Township oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The Township charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus generated since January 1, 2000 is as follows:

Cumulative surplus at April 1, 2005	\$ -
Current year building permit revenue	13,805
Related expenditures:	
Direct costs	(22,560)
Indirect costs	<u>-</u>
Cumulative surplus at March 31, 2006	<u>\$ -</u>

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## NOTE 3: DEPOSITS AND INVESTMENTS

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Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency of instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The investment policy adopted by the Township Board is in accordance with Public Act 196 of 1997. The Township's deposits and investments have been made in accordance with statutory authority.

The Township's deposits are subject to several types of risk, which are presented in more detail as follows:

### Custodial Credit Risk of Bank Deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to them. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$1,396,618 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$420,372 was covered by federal depository insurance and the remainder was uninsured and uncollateralized.

# TOWNSHIP OF SWAN CREEK

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### Custodial Credit Risk of Investments:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township does not have a policy for custodial risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or an agent in the Township's name:

Federal National Mortgage Association Benchmark Note	\$ 85,085	Counterparty
Treasury and Agency Mutual Fund	378,955	Counterparty

### Interest Rate Risk:

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a maximum 270 day maturity. At year end, the average maturities of investments are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Average Maturity</u>
Federal National Mortgage Association Benchmark Note	\$ 85,085	1 year
Treasury and Agency Mutual Fund	378,955	1.9 years

### Credit Risk:

As of year end, the credit quality ratings of debt securities are as follows:

Federal National Mortgage Association Benchmark Note	\$ 85,085	AAA	S&P
Treasury and Agency Mutual Fund	378,955	AAA	S&P

### Concentration of Credit Risk:

The Township places limits on the amount the Township may invest in any one issuer. At March 31, 2006, there were no investments in any one issuer (other than the U.S. government agencies and mutual funds) that exceeded more than 5 percent of total investments.

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## NOTE 4: RESTRICTED CASH AND RESERVE FOR DEBT SERVICE

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The Water Fund has \$57,802 of restricted cash in the water extension debt service accounts.

# TOWNSHIP OF SWAN CREEK

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### NOTE 5: CAPITAL ASSETS

Primary Government capital asset activity for the year ended March 31, 2006 was as follows:

	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
<b>Governmental activities:</b>				
Nondepreciable capital assets:				
Land	\$ 120,280	\$ 1,042	\$ -	\$ 121,322
Depreciable capital assets				
Buildings and improvements	125,758	-	-	125,758
Equipment	26,737	27,336	(14,395)	39,678
Site improvements	6,624	8,061	-	14,685
	159,119	35,397	(14,395)	180,121
Accumulated depreciation:	(43,834)	(7,641)	5,758	(45,717)
Total depreciable capital assets, net	115,285	27,756	(8,637)	134,404
Governmental activities, capital assets, net	<u>\$ 235,565</u>	<u>\$ 28,798</u>	<u>\$ (8,637)</u>	<u>\$ 255,726</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>				
Depreciable capital assets:				
Buildings and improvements	\$ 7,700	\$ -	\$ -	\$ 7,700
Equipment	43,748	-	-	43,748
Distribution system	3,312,039	47,628	-	3,359,667
Total capital assets	3,363,487	47,628	-	3,411,115
Accumulated depreciation:	(742,163)	(51,689)	-	(793,852)
Depreciable capital assets, net	2,621,324	(4,061)	-	2,617,263
Business-type activities, capital assets, net	<u>\$ 2,621,324</u>	<u>\$ (4,061)</u>	<u>\$ -</u>	<u>\$ 2,617,263</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities:</b>	
General government	\$ 4,127
Public Works	160
Recreation and culture	3,354
Total governmental activities	<u>\$ 7,641</u>
<b>Business-type activities:</b>	
Water	<u>\$ 51,689</u>
Total business-type activities	<u>\$ 51,689</u>



# TOWNSHIP OF SWAN CREEK

## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

### NOTE 6: LONG-TERM LIABILITIES

The Township has installment contracts with Saginaw County that were used to finance water line construction. Installment contracts are general obligations, which are direct obligations of the government and pledge the full faith and credit of the Township.

Long-term liabilities at March 31, 2006 consisted of the following:

<u>Types of Indebtedness</u>	<u>Maturity</u>	<u>Rate</u>	<u>Installments</u>	<u>Amount</u>	<u>at Year-End</u>
<b>Business-type Activities</b>					
<b>Contracts Payable - Saginaw County</b>					
1992 Issue - Water extension # 12	5/1/05-5/1/06	7.10-7.15%	13,000	185,000	13,000
1996 Issue - Water extension # 15	6/1/05-6/1/11	5.20-5.75%	20,000	280,000	120,000

The following is a summary of long-term liabilities transactions for the year ended March 31, 2006:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>					
Contracts payable:					
1991 Issue	\$ 6,000	\$ -	\$ (6,000)	\$ -	\$ -
1992 Issue	26,000	-	(13,000)	13,000	13,000
1995 Issue	7,000	-	(7,000)	-	-
1996 Issue	140,000	-	(20,000)	120,000	20,000
Total business-type activities					
- long-term liabilities	<u>\$ 179,000</u>	<u>\$ -</u>	<u>\$ (46,000)</u>	<u>\$ 133,000</u>	<u>\$ 33,000</u>

Annual debt service requirements to maturity for the above contractual obligations are as follows:

<u>Year Ended</u>	<u>Business-Type Activities</u>		
<u>March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 33,000	\$ 6,585	\$ 39,585
2008	20,000	5,050	25,050
2009	20,000	3,960	23,960
2010	20,000	2,850	22,850
2011	20,000	1,720	21,720
2012	20,000	575	20,575
	<u>\$ 133,000</u>	<u>\$ 20,740</u>	<u>\$ 153,740</u>

# TOWNSHIP OF SWAN CREEK

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

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### NOTE 7: DISAGGREGATED RECEIVABLE AND PAYABLE BALANCES

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Receivables and payables as of year end for the Township's governmental and business-type activities in the aggregate are as follows:

	<i><u>Governmental Activities</u></i>	<i><u>Business-Type Activities</u></i>
<b>Receivables:</b>		
Taxes	\$ 9,319	\$ -
Accounts	5,800	24,184
Special assessments	-	75,724
Accrued interest	-	2,042
Intergovernmental	<u>29,389</u>	<u>-</u>
Total receivables	<u>\$ 44,508</u>	<u>\$ 101,950</u>
<b>Accounts payable and accrued expenses:</b>		
Accounts	\$ 19,968	\$ 14,509
Payroll and related liabilities	11,431	1,435
Accrued interest payable	-	2,604
Deposits payable	59,067	1,100
Intergovernmental	<u>4,850</u>	<u>-</u>
Total accounts payable and accrued expenses	<u>\$ 95,316</u>	<u>\$ 19,648</u>

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### NOTE 8: RISK MANAGEMENT

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The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, employee injuries (workers' compensation), and natural disasters.

The Township manages its workers compensation risk by purchasing commercial insurance and its liability and property risk by participating in the Michigan Township Participating Plan a public entity risk pool providing property and liability coverage to its participating members. The Township pays an annual premium for its workers compensation, property and liability insurance coverage. The Michigan Township Participating Plan is self-sustaining through member premiums. The Michigan Township Participating Plan provides, subject to certain deductibles, occurrence-based casualty coverage for each incident and occurrence-based property coverage to its members by internally assuring certain risks and reinsuring risks through commercial companies. Various deductibles are maintained to place the responsibility for small charges with the insured. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

# TOWNSHIP OF SWAN CREEK

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

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### NOTE 9: EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

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#### 1. Michigan Municipal Employees Retirement System

##### *a) Plan Description*

The Township contributes to the Michigan Municipal Employees' Retirement System, an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for governmental units in the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non duty-connected death and postretirement adjustments to plan members and their beneficiaries.

All employees earning more than \$5,000 in compensation with more than three months continuous service are eligible to participate in the plan. Benefits vest after 8 years of service. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0 percent times the final average compensation (FAC). The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2004.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 [MSA 5.333(a); MCLA 46.12 (a)], as amended, State of Michigan. MERS is regulated under Act No. 220 of the Public Acts of 1996, as amended, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

##### *b) Funding Policy*

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township board and personnel policy, which requires employees to contribute at a rate of 5% of gross pay. The Township is required to contribute at an actuarially determined rate; the current rate was 11.22 percent of eligible payroll based on the December 31, 2003 valuation.

##### *c) Annual Pension Cost*

During the fiscal year ended March 31, 2006, the Township's contributions totaling \$13,476 were made in accordance with contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

# TOWNSHIP OF SWAN CREEK

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## NOTES TO FINANCIAL STATEMENTS, CONTINUED

March 31, 2006

*d) Three Year Trend Information*

<i>Year Ended March 31</i>	<i>Annual Pension Cost (APC)</i>	<i>Percentage of APC Contributed</i>	<i>Net Pension Obligation</i>
2006	\$ 13,476	100%	\$ 0
2005	12,499	100	0
2004	11,053	100	0

**Post Employment Benefits:**

The Township has no post employment benefits other than the pension plan described above.

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### NOTE 10: FUND EQUITY

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Specific reservations of fund equity include:

**Reserved for prepaid expenditures** – This reserve was created to indicate that the portion of fund balance represented by prepaid expenditures is not available for appropriation.

***REQUIRED SUPPLEMENTAL INFORMATION***

# TOWNSHIP OF SWAN CREEK

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## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual</i>
	<i>Original</i>	<i>Final</i>		<i>Over (Under) Final Budget</i>
<b>Revenues:</b>				
Property taxes	\$ 186,840	\$ 186,840	\$ 201,750	\$ 14,910
Licenses and permits	38,700	38,700	33,555	(5,145)
State grants	171,168	171,168	180,202	9,034
Contributions from other units	-	-	2,461	2,461
Charges for services	2,380	2,380	2,946	566
Interest and rents	5,700	5,700	19,914	14,214
Other revenue	13,800	13,800	14,887	1,087
Total revenues	<u>418,588</u>	<u>418,588</u>	<u>455,715</u>	<u>37,127</u>
<b>Expenditures:</b>				
Current:				
General government	227,129	233,339	202,709	(30,630)
Public safety	127,909	130,454	130,263	(191)
Public works	46,620	46,620	32,577	(14,043)
Community and economic development	10,880	10,880	7,481	(3,399)
Recreation and culture	21,095	21,095	15,955	(5,140)
Capital outlay	<u>39,495</u>	<u>39,495</u>	<u>36,439</u>	<u>(3,056)</u>
Total expenditures	<u>473,128</u>	<u>481,883</u>	<u>425,424</u>	<u>(56,459)</u>
Excess (deficiency) of revenues over expenditures	(54,540)	(63,295)	30,291	93,586
Fund balance, beginning of year	<u>835,007</u>	<u>835,007</u>	<u>835,007</u>	-
Fund balance, end of year	<u>\$ 780,467</u>	<u>\$ 771,712</u>	<u>\$ 865,298</u>	<u>\$ 93,586</u>

# TOWNSHIP OF SWAN CREEK

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## *SPECIAL REVENUE FUND – REFUSE FUND*

### **BUDGETARY COMPARISON SCHEDULE**

Year Ended March 31, 2006

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Actual Over (Under) Final Budget</i>
	<i>Original</i>	<i>Final</i>		
<b>Revenues:</b>				
Charges for services	\$ 96,084	\$ 96,084	\$ 95,300	\$ (784)
Interest and rents	1,500	1,500	4,012	2,512
Other revenue	-	-	5,692	5,692
Total revenues	<u>97,584</u>	<u>97,584</u>	<u>105,004</u>	<u>7,420</u>
<b>Expenditures:</b>				
Current:				
Public works	<u>99,269</u>	<u>99,269</u>	<u>83,134</u>	<u>(16,135)</u>
Total expenditures	<u>99,269</u>	<u>99,269</u>	<u>83,134</u>	<u>(16,135)</u>
Excess (deficiency) of revenues over expenditures	(1,685)	(1,685)	21,870	23,555
Fund balance, beginning of year	<u>192,266</u>	<u>192,266</u>	<u>192,266</u>	<u>-</u>
Fund balance, end of year	<u>\$ 190,581</u>	<u>\$ 190,581</u>	<u>\$ 214,136</u>	<u>\$ 23,555</u>

# TOWNSHIP OF SWAN CREEK

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## PENSION SYSTEM SCHEDULE OF FUNDING PROGRESS

March 31, 2006

The schedule of funding progress is as follows:

<i>Actuarial Valuation Date</i>	<i>Actuarial Value of Assets</i>	<i>Actuarial Accrued Liability (AAL)</i>	<i>Underfunded AAL (UAAL)</i>	<i>Funded Ratio</i>	<i>Covered Payroll</i>	<i>UAAL as of Percent of Covered Payroll</i>
	<i>a</i>	<i>b</i>	<i>b-a</i>	<i>a/b</i>	<i>c</i>	<i>(b-a)/c</i>
12/31/04	\$ 232,766	\$ 373,575	\$ 140,809	62.31%	\$ 106,914	131.70%
12/31/03	203,317	334,173	130,856	60.84	99,863	131.04
12/31/02	173,409	307,855	134,446	56.33	96,680	139.06
12/31/01	153,199	265,853	112,654	57.62	87,865	128.21
12/31/00	131,978	218,705	86,727	60.35	77,472	111.94
12/31/99	112,915	173,386	60,471	53.55	68,651	88.08
12/31/98	93,265	149,530	56,265	60.33	64,570	87.14
12/31/97	79,250	110,367	31,117	39.26	51,038	60.96



***OTHER SUPPLEMENTAL INFORMATION***

# TOWNSHIP OF SWAN CREEK

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## GENERAL FUND

### DETAILED STATEMENT OF REVENUES

Year Ended March 31, 2006

#### REVENUES:

##### *Current Taxes:*

Property taxes	\$ 176,538
Penalties and interest on taxes	2,709
Administration fees	22,463
Payment in lieu of taxes	40
	<hr/>
	201,750

##### *Licenses and Permits:*

Business licenses and permits	480
Non-business licenses and permits	15,195
CATV franchise fees	17,880
	<hr/>
	33,555

##### *State Grants:*

Liquor license fees	1,100
State revenue sharing – sales tax	163,209
Metro Act	4,628
State contribution – election equipment	7,750
Summer property tax collection reimbursement	3,515
	<hr/>
	180,202

##### *Contribution from other units:*

St. Charles District Library – election reimbursement	2,461
	<hr/>
	2,461

##### *Charges for Services:*

Zoning/variance/appeals fees	1,800
Other	146
Charges to other funds	1,000
	<hr/>
	2,946

##### *Interest and Rents:*

Interest	19,189
Rents	725
	<hr/>
	19,914

##### *Other Revenue:*

Sale of capital assets	10,510
Cemetery lots/perpetual care	3,800
Contributions and donations	550
Other	27
	<hr/>
	14,887

Total revenues	<hr/> <hr/> \$ 455,715
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# TOWNSHIP OF SWAN CREEK

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## GENERAL FUND

### DETAILED STATEMENT OF EXPENDITURES

For the Year Ended March 31, 2006

#### EXPENDITURES:

##### *General Government:*

###### *Board:*

Personnel	\$ 3,816
Fringe benefits	277
	<hr/> 4,093

###### *Supervisor:*

Personnel	13,179
Fringe benefits	2,445
	<hr/> 15,624

###### *Office Administration and Accounting:*

Personnel	44,256
Fringe benefits	8,423
Supplies	3,410
Contracted services	1,806
Telephone	4,187
Transportation	1,275
Dues and memberships	1,733
Conferences and workshops	90
Printing and publications	1,319
Insurance	10,605
Utilities	4,819
Repairs and maintenance	1,235
	<hr/> 83,158

###### *Clerk:*

Personnel	12,978
Fringe benefits	2,445
Transportation	121
Dues and memberships	25
Conferences and workshops	115
	<hr/> 15,684

###### *Audit:*

Contracted services	2,625
	<hr/> 2,625

###### *Board of Review:*

Personnel	626
Fringe benefits	41
Transportation	57
Conferences and workshops	75
Printing and publications	176
	<hr/> 975

# TOWNSHIP OF SWAN CREEK

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## GENERAL FUND

### DETAILED STATEMENT OF EXPENDITURES, CONTINUED

For the Year Ended March 31, 2006

#### EXPENDITURES, continued

##### *General Government, continued:*

###### *Treasurer:*

Personnel	22,051
Fringe benefits	4,167
Supplies	5,955
Transportation	268
Dues and memberships	60
Conferences and workshops	156
Printing and publications	154
	<hr/>
	32,811

###### *Assessor:*

Contracted services	9,500
	<hr/>
	9,500

###### *Elections:*

Personnel	1,119
Fringe benefits	110
Supplies	1,637
Contracted services	600
Transportation	15
Printing and publications	165
	<hr/>
	3,646

###### *Hall and Grounds:*

Personnel	10,602
Fringe benefits	811
Supplies	641
Contracted services	792
Transportation	56
Repairs and maintenance	6,684
	<hr/>
	19,586

###### *Attorney:*

Contracted services	8,010
	<hr/>
	8,010

###### *Cemetery:*

Personnel	3,354
Fringe benefits	257
Supplies	1,528
Contracted services	72
Printing and publications	59
Repairs and maintenance	1,727
	<hr/>
	6,997

Total general government	<hr/>
	202,709

# TOWNSHIP OF SWAN CREEK

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## GENERAL FUND

### DETAILED STATEMENT OF EXPENDITURES, CONTINUED

For the Year Ended March 31, 2006

#### EXPENDITURES, continued

##### *Public Safety:*

###### *Liquor Law Enforcement:*

Personnel	1,100
Fringe benefits	208
	<hr/>
	1,308

###### *Fire:*

Contracted services	106,395
	<hr/>
	106,395

###### *Building Inspection Department:*

Personnel	18,260
Fringe benefits	2,466
Supplies	1,410
Telephone	135
Transportation	13
Dues and memberships	102
Conferences and workshops	174
	<hr/>
	22,560

Total public safety	<hr/>
	130,263

##### *Public Works:*

###### *Roads:*

Personnel	235
Fringe benefits	29
Contracted services	28,242
Printing and publications	64
	<hr/>
	28,570

###### *Drains-Public Benefit:*

Personnel	305
Fringe benefits	26
transportation	261
	<hr/>
	592

###### *Street Lighting:*

Utilities	3,415
	<hr/>
	3,415

Total public works	<hr/>
	32,577

# TOWNSHIP OF SWAN CREEK

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## GENERAL FUND

### DETAILED STATEMENT OF EXPENDITURES, CONTINUED

For the Year Ended March 31, 2006

#### EXPENDITURES, continued:

##### *Community and Economic Development*

###### *Planning and Zoning:*

Personnel	4,648
Fringe benefits	262
Supplies	203
Contracted services	1,286
Mileage	190
Education and training	642
Printing and publications	250
	<hr/>
	7,481

Total community and economic development	<hr/>	7,481
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##### *Recreation and Culture:*

###### *Parks and Recreation:*

Personnel	5,869
Fringe benefits	449
Supplies	2,453
Contracted services	3,353
Utilities	390
Repairs and maintenance	3,298
Equipment rental	143
	<hr/>
	15,955

Total recreation and culture	<hr/>	15,955
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##### *Capital Outlay:*

General government	20,422
Recreation and culture	16,017
	<hr/>
Total capital outlay	36,439
	<hr/>
Total expenditures	\$ 425,424

# TOWNSHIP OF SWAN CREEK

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## FIDUCIARY FUND – AGENCY FUND

### STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

For the Year Ended March 31, 2006

	<i><u>Beginning Balance</u></i>	<i><u>Additions</u></i>	<i><u>Deductions</u></i>	<i><u>Ending Balance</u></i>
<b><u>Property Tax Collection Fund</u></b>				
<b>Assets:</b>				
Cash and cash equivalents	\$ 4,122	\$ 2,172,239	\$ 2,176,361	\$ -
<b>Liabilities:</b>				
Accounts payable and accrued expenses	\$ 4,122	\$ 2,172,239	\$ 2,176,361	\$ -



May 31, 2006

To The Township Board  
Swan Creek Township  
St. Charles, MI

We have audited the financial statements of Swan Creek Township for the year ended March 31, 2006. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

#### Our Responsibility Under U.S. Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Swan Creek Township in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.



For this purpose, materiality has been defined as “the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.”

An independent auditor’s objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor’s work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, “in our opinion.”

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Swan Creek Township are described in Note 1 to the financial statements. We noted no transactions entered into by Swan Creek Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

#### Other Communications

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management’s current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of Swan Creek Township's financial statements and this communication of these matters does not affect our report on the organization's financial statements, dated May 31, 2006.

Summary

We welcome any questions you may have regarding the foregoing.

Sincerely,

*Berthiaume & Co.*

Berthiaume & Company  
Certified Public Accountants